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## **Austria**

### **Product Brief**

### **Growing Market for Functional Foods**

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#### **Report Highlights:**

**The Austrian wellness food market is growing fast and may someday reach 20% of the total food market. A large share of available wellness products is imported from other EU countries, particularly Germany. Of U.S. functional foods, nut, dried fruit, and rice products should have the best opportunities in the Austrian market.**

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## Growing Market for Functional Foods

### Summary

For several years, there has been a growing market for functional foods. At the same time, the number of them rose distinctly. Among wellness foods, which include a wide range from solid products to beverages, dairy products are the best known items. Available wellness foods include local innovations, licensed products, and imported items. Main suppliers are other EU countries, particularly Germany. The fast expanding wellness market may reach someday 20% of the total food market. Main opportunities for U.S. functional foods at the Austrian market are for nut, dried fruit, and rice products. The market channels are the same as for conventional foods. End summary.

### Definition

As there is no official definition, in Austrian publications functional foods are also called designer foods, performance foods, nutraceuticals, and wellness products. The last term is probably the mostly used.

### Production

Given the rising demand, production of functional foods has increased rapidly in recent years. Dairy products account for the most important wellness foods with the widest assortment. Production of these items increased from 25 million liter in 1995 to 42.7 million liter in 1998. However, also many other sectors of the food industry, particularly juice, beverage, bakery, and cereal industry brought functional foods on the market. Locally produced wellness foods are Austrian innovations or produced under license.

### Market

The rising awareness of wellness products is reflected by the fact that in 1998 49.2% of the population did not know and only 32.9% knew what this item means in connection with food (17.9% no answer). In 1999, the percentage of persons familiar with wellness and food was already 48.8 and not familiar only 31.2% (20% no answer).

The main functional foods in the Austrian market are as follows:

- a. Probiotics (contain beneficial lactic bacteria to improve immunity): yoghurt such as LC1 from Nestle, Procult from Mueller, Emmfit from Emmi, etc.; milk mixes such as Actimel from Danone, Probiotic LA7 plus from Bauer etc.; curd preparations such as Fitness-Quark from Onken, Wojnar's, etc. cereals such as crunchy oats cereal from Schneekoppe, Knusperli from Bioquelle, etc.
- b. Prebiotics (include ballast which supports growth of beneficial intestinal flora and the uptake of calcium,

magnesium, and iron): beverages such as DrinkVit from Pago, ballast drink from Mueller, etc.; grain products such as breads enriched with ballast substances; cereals such as Activa from Gittis, Vita bar from Multaben, Vitalis Cereal Plus (Dr. Oetker), etc.

c. Omega fat acids (protect blood vessels): margarine such as Olima from Eden, m'Oliva from Vitaquell, etc.; bread enriched with omega-3-fat acids.

d. ACE & CO (additional quantity of vitamin A, B, and C to improve immunity): grain products such as Kellogg's Just Right with Vitamines and Iron; beverages such as ACE-drinks, multi-vitamin juices, and mineral enriched juices from many firms; sweets such as fruit snacks from Haribo, Take 2-Fruit Gums, etc.

f. Lifestyle products (provide energy and vitality): beverages such as Wildfrucht Sanddorn of Eden; Red Bull, Kambucha (tee mixture fermented by special lactic bacteria and yeasts) of many companies. Kambucha consumption has recently shown particularly large growth.

Dairy products with supplements for certain target groups, e.g., milk enriched with calcium for older people or magnesium-enriched milk for pregnant women are not yet in the Austrian market but should have good market potential someday.

Austrian nutrition experts criticize that at present most enriched products include substances which are taken up in sufficient quantities anyway and thus have no additional health benefit. In general, always the same multi-vitamin cocktail is added to functional foods. However, a more targeted addition of certain vitamins would be desirable.

According to market researchers, functional foods have a promising future. They expect for Austria a market share of at least 20% in the long term. This seems to be confirmed by the present distinct upward trend in demand for wellness products. According to a survey, the wellness market has risen from AS 5.6 billion in 1996 to an estimated AS 6.2 billion in 2000.

### Consumer Preferences

According to a poll, product groups primarily associated with wellness are cold drinks and dairy products. Among cold drinks, fruit juices are the favorite wellness products. However, standard juices, such as the classical orange juice, are less demanded whereas juices with taste modifications and additional benefit (fruit cocktail plus ballast substances) are more appreciated. A strong health connotation is also enjoyed by mineral waters, particularly those with little or no carbonation.

Among warm beverages, ovomaltine is more associated with wellness than herbal teas. Green tea is catching up and in general finding rising demand.

With breakfast cereals, the criterion "organically produced" has been losing importance. Banana - chocolate cereal followed by strawberry and a fitness cereal showed the strongest wellness character.

Supplements for wellness foods have great growth potential. There is not only rising demand for vitamin and mineral preparations but combinations of various active agents, which are associated with wellness by consumers. Plant preparations with "natural" active agents are in particularly demand. However, capsules and elixirs are still predominantly sold by pharmacies.

Meat products and wellness were not compatible for a long time. The primary condition for connecting both is an extremely low fat content. Recently some firms brought sausages with only a low percentage of fat to the market.

Sweet products and wellness are only accepted with cereals and sugar-free products.

In general, consumers regard functional foods as a welcome opportunity to unite pleasantness with usefulness, i.e. eat and drink without a bad conscience foods which maintain health.

#### Market Channels

The major share of wellness products is purchased in supermarkets followed by drug stores and health food shops. As with conventional foods, the large supermarket drug store chains import themselves directly and buy from importers/wholesalers. Smaller shops, the category in which in which most health food shops are counted, usually buy through importers/wholesalers.

The number of wellness products in Austria is probably smaller than in other EU countries. The reason is difficult marketing of innovative products as foods are under heavy price pressure and Austrian consumers are in general slow in accepting new products. In addition, the market is relatively small, which makes marketing of such products costly and risky.

Consumers regard the following food chains as primarily trustworthy for wellness articles: dm (drug store chain), Spar/Eurospar, Billa, Merkur, Meinl, Interspar (supermarket chains), Bipa, Schlecker (drug store chains), Adeg, and Hofer (supermarket chains). However, the major share of such products is actually purchased in supermarkets (particularly Billa and affiliated stores, Spar, and Hofer, etc.) and bakeries.

The following reports provide information on how to enter the retail food market:

AU9019 Exporting to Certain Retail Chains

<http://www.fas.usda.gov/gainfiles/199905/25454402.pdf>

AU9047 Retail Food Sector Report

<http://www.fas.usda.gov/gainfiles/199911/25546307.pdf>

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## Trade

In addition to domestically produced functional foods, a large share of available wellness products is imported from other EU countries, particularly Germany.

The main market opportunities for U.S. functional foods in Austria are in general in the same sectors as with conventional foods, i.e. various tree nut, peanut, dried fruit, and rice products. In addition, certain U.S. wellness foods, which do not have a parallel European product, may find a market in Austria. Main competitors for U.S. wellness foods are local products and products available in other EU countries.

## Labeling

According to paragraph 9 of the Austrian food law, it is in general forbidden to provide health-related information on food labels. However, the Ministry for Social Security and Generations can make exceptions and permit it for foods upon application by a producer. Thus, this sector is relatively strictly regulated but execution is generous. To clarify somewhat the problems, a decree of June 1999 divides health related information on labels of functional foods into the following categories:

- a. Forbidden information: 1. Ambiguous information such as "health drink", "the healthy plus"; 2. Disease related information such as "prevents heart attacks", "reduces cholesterol level".
- b. Information requiring permission: General and true information on function and effect of certain substances such as "omega 3 fat acids are multiple unsaturated and have a positive effect on fat metabolism"; "calcium is a mineral which the body needs for building bones, nails, and teeth".
- c. Information which does not require permission: General formulation about characteristics or effects such as "wholesome", "cholesterol-free", "pleasant", "for feeling well".

## Other Legislation

Functional foods are not defined or regulated by Austrian food regulations; however, an EU regulation is expected.

Brussels does not agree with Austria's strict regulation concerning health related information. The EU Commission believes that Austria's prohibition of health related information is in violation of the EU labeling regulation. For this reason, a case against Austria is pending concerning agreement violation.

In practice many functional foods are already on the market which are labeled and advertised with health claims not approved by the Ministry for Social Security and Generations. It is expected that sooner or later Austria will have to adjust paragraph 9 of its food regulation to EU requirements which will allow more health related information.